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AF/S FOR HTREGER  
EB/IFD/OIA FOR JROSELI  
L/CID FOR EDAUGHTRY

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [EINV](#) [ETRD](#) [PGOV](#) [KIDE](#) [CASC](#) [MZ](#)

SUBJECT: MOZAMBIQUE - 2006 Report on Investment Disputes and  
Expropriation Claims

REF: A. STATE 60294

[1](#)B. 05 Maputo 1062

[1](#)1. Post is aware of one (1) claim that may be outstanding  
against the Government of the Republic of Mozambique (GRM).

[1](#)2. Claimant A.

[1](#)3. This potential claim arose on or around August 5, 2005.

[1](#)4. In 2001 Claimant A received authorization for a foreign  
investment project from the GRM's Ministry of Planning and  
Finance. The GRM granted Claimant A a ten-year right to  
operate (the "concession") in the District of Chifunde,  
Province of Tete, with the option to renew for five years.  
The concession was for the cultivation, fomentation and  
commercialization of loose-leaf tobacco. Each year Claimant  
A's subsidiary was required to submit a proposed program of  
cultivation, fomentation and commercialization to the GRM,  
allowing the subsidiary to proceed with the program for the  
following season. This concession was one of several held  
by Claimant A within the country of Mozambique.

[1](#)5. On August 5, 2005, the Minister of Agriculture issued a  
decision interrupting/revoking Claimant A's concession  
rights in the District of Chifunde. On August 15, 2005,  
Claimant A filed an appeal with the Minister of Agriculture  
requesting reconsideration and revocation of the August 5  
decision. The status quo was not maintained during  
consideration of this appeal, and on September 15, 2005, the  
Governor of Tete issued a decision granting another American  
company the immediate right to operate the concession.  
Claimant A maintains that the grounds given for  
interruption/revocation of the concession were false, and  
that the GRM failed to follow procedures outlined in the  
concession agreement and Mozambican law regarding revocation  
of concession rights.

[1](#)6. In response to private sector and Claimant A's  
complaints, on October 11, 2005, the Minister of Agriculture  
sent the issue to the Governor of Tete for further  
consideration. Fact-finding investigations were supposed to  
occur but did not. Claimant A stated to Embassy officers  
that it spent the following eight months trying to regain  
possession and use-rights to the concession. Efforts  
included meetings with the Governor of Tete, meetings with  
governors of other provinces in which Claimant A had  
concessions, meetings and correspondence with the Ministry  
of Agriculture and presidential advisors, and open letters  
by the private sector. Claimant A retained local legal  
representation to assist in these efforts.

[1](#)7. As the result of the loss of its concession in Tete,

Claimant A decided in March 2006 to cease all operations in Mozambique. Claimant A informed the Embassy at that time that it was in the process of filing an insurance claim against the GRM and was considering pursuing international arbitration under the Bilateral Investment Treaty. According to Claimant A, it has suffered damages in an amount exceeding ten (10) million dollars (\$10,000,000) as the result of the loss of this concession and its departure from Mozambique.

¶18. The Embassy last received information on this dispute in May 2006. The Mozambican press continues to report on Claimant A's departure from Mozambique, and the GRM now publicly claims Claimant A left voluntarily without notice or reason.

¶19. Claimant A: Alliance One International (formerly DIMON Incorporated). Post understands that Alliance One International formed on May 13, 2005, as the result of a merger of DIMON Incorporated ("DIMON") and Standard Commercial Corporation ("Stancom"). The concession at issue was originally granted to DIMON; however, both DIMON and Stancom held concessions in Mozambique. Post does not have any information indicating whether Alliance One or any of its subsidiaries or predecessors signed a Privacy Act waiver.

La Lime